Turning transportation into e-transportation
2000 Annual Report

Mullen Transportation Inc.

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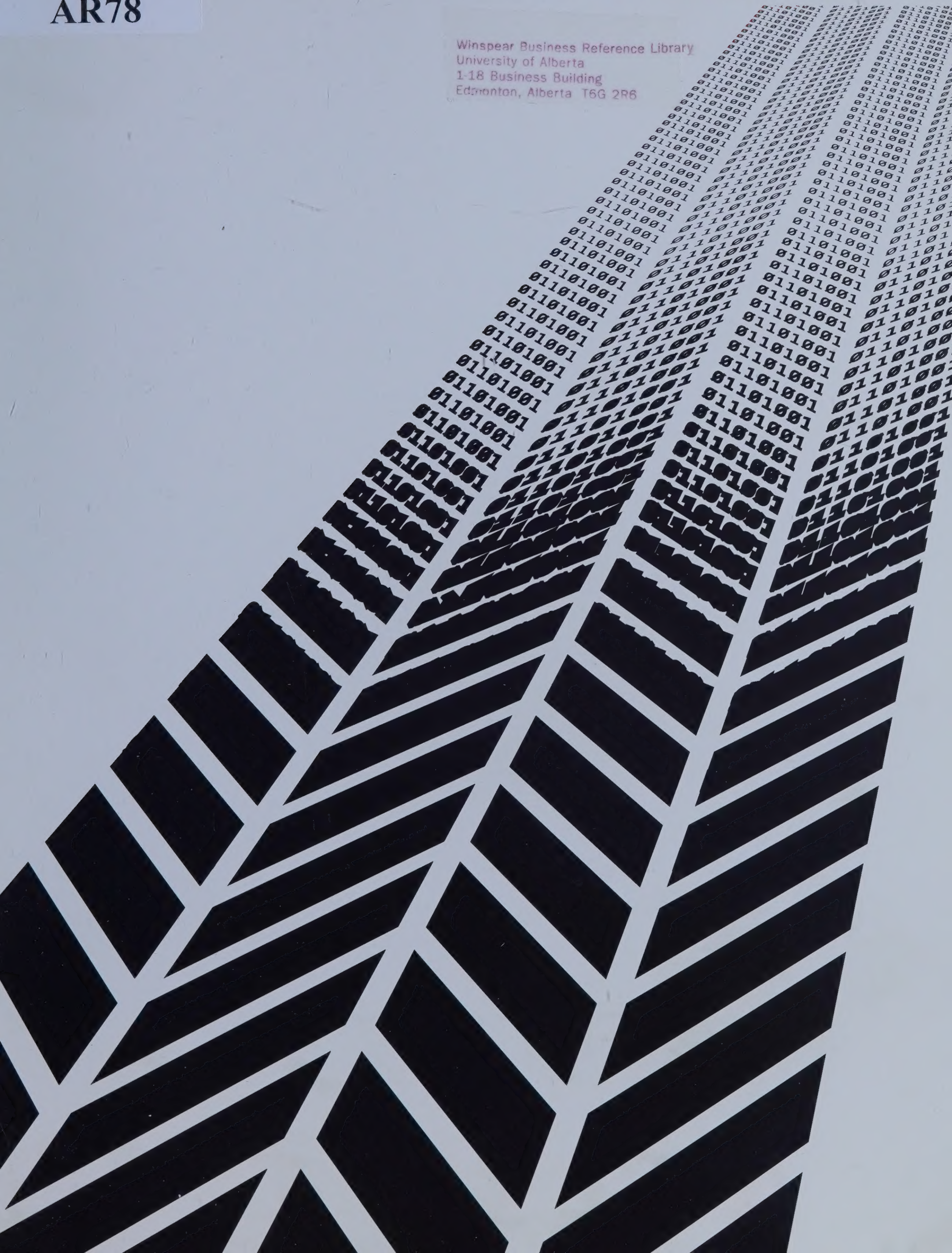


Profile

Mullen Transportation Inc. is a logistics facilitator that offers streamlined business solutions and meets the challenges of its customers by using the latest **satellite, database and Internet based technologies.**

The Company provides management and financial expertise, technology and systems support to a network of subsidiary companies. Today the business of the Company is focused on two segments of the economy — Oilfield Services and Freight Transportation and Distribution — areas where Mullen has developed strong business relationships and industry leadership.

The Mullen Transportation Group is recognized as the largest provider of specialized transportation and related services to the oil and gas industry in Western Canada. As one of the leading suppliers of trucking and logistics services in Canada, Mullen operates a fleet of 1,100 trucks and 2,500 trailers, and has a customer base of 5,000.

Corporate Structure

In the Mullen organization, each business unit is operated as a wholly-owned subsidiary, with each accountable for its own results, returns on capital employed and overall performance. The business units are grouped into three divisions — Oilfield Services, Trucking and Logistics — based upon the type of commodities transported, the kind of equipment utilized and the customer service requirements.

Contents

Milestones

May 3, 2000 – Mullen Transportation declared its first semi-annual cash dividend, 20 cents per share, payable to shareholders of record on June 30, 2000. Shareholders of record on December 31, 2000, received a 20 cent per share dividend.

June 6 – Mullen Transportation Inc., Lafarge (one of North America's largest diversified suppliers of cement, aggregates and concrete, gypsum wallboard, and other materials for residential, commercial, institutional, and public works construction), and CGI (one of Canada's leading e-business service providers) announced a new business-to-business (B2B) initiative designed to streamline the supply chain process. The primary focus of the initiative includes the development of a seamless real-time information database, which will be accessible by all parties in Lafarge's supply chain.

June 14 – Mullen Logistics Inc. signed a Memorandum of Understanding with the Inuvialuit Development Corporation, and Northern Transportation Company Limited to form a Joint Venture Company which will be operated as Inuvialuit Northern Logistics. The joint venture has been established to provide a total transportation solution to companies participating in the search for, and the development of, the natural resource base in the Inuvialuit Settlement Region.

August 21 – Mullen Transportation announced the purchase of E-Can Oilfield Services. Based in Northeastern Alberta, E-Can is a leading provider of oilfield services to the heavy oil industry in Western Canada, providing specialized equipment and personnel to assist in the pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.

December 14 – Mullen Transportation Inc., T.S.E. – MTL, was included in the T.S.E. 300 Composite Index.

Mullen placed l0th on the **February 2001** Report on Business Magazine's 35 Best Companies to Work for in Canada.

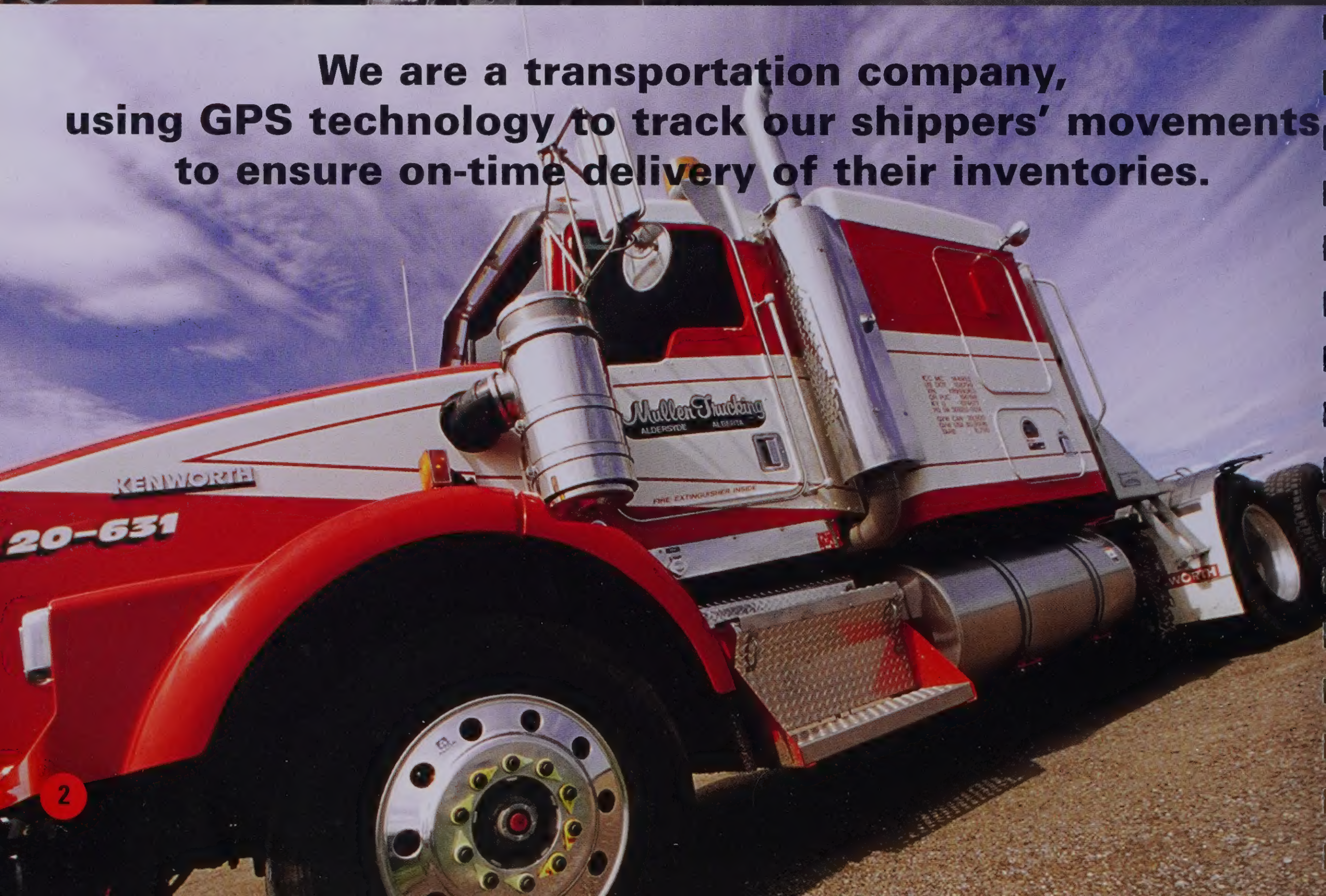
THE 35 BEST COMPANIES TO WORK FOR IN CANADA

2001 Targets

- **Leverage off strong fundamentals associated with the exploration and development of oil and gas.**
- **Build on far north initiatives and position Mullen Transportation as the carrier and supplier of choice on northern projects.**
- **Spin out Mullen Transportation's logistics and e-business into a new company, called Moveitonline Inc.™**
- **Identify potential acquisition opportunities in the oilfield services sector that meet Mullen Transportation's financial models.**

We are an oilfield services company, moving equipment and commodities for the upstream and downstream segments of the energy sector.

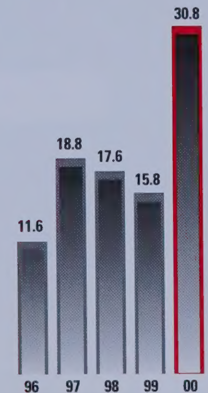
We are a transportation company, using GPS technology to track our shippers' movements to ensure on-time delivery of their inventories.



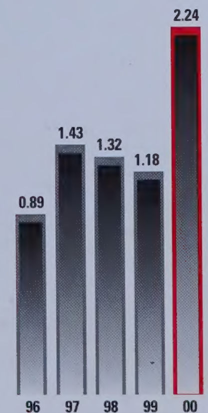
We are a logistics provider, offering supply chain freight management services on an outsourced basis.

We are a public company, with some 14 million common shares outstanding, distributed among 1,000 registered shareholders and record profitability in 2000.

Revenue ($millions)



Net Income ($millions)



Net Income Per Share ($)

President's Message

Management Team:

(left to right)

Bruce W. Mullen	– Sr. Vice President – Mullen Transportation Inc. – Vice President – Mullen Trucking Inc. – Oilfield Services
David E. Mullen	– Sr. Vice President – Mullen Transportation Inc. – Vice President – Mullen Trucking Inc. – Truckload
David E. Olson	– Vice President Finance and C.F.O.
Murray K. Mullen	– President and C.E.O.
Robert J. Baldwin	– Vice President, Quality and Training and Corporate Secretary

2000 – A RECORD YEAR

For Shareholders

What a great start to the new millennium. Shareholders saw the value of their investment increase by 42 percent during 2000, based on a year-end closing price of $28.00 per share. We implemented a dividend policy returning $5.5 million to our shareholders by way of a 40 cent dividend paid semi-annually. We completed the acquisition of E-Can Oilfield Services, another very successful company leveraged to the oil and gas sector. And we produced another year of record financial results. Gross revenues grew by 30 percent to $340 million and net income nearly doubled to $31 million, both records for Mullen Transportation. In December, Mullen Transportation was added to the T.S.E. 300 Index, increasing the Company's exposure to the investment community and to a broader shareholder base.

For Employees and Owner-Operators

Employees and owner-operators, the other significant stakeholder group in our organization, also enjoyed a successful year. Their measurement of success is determined by take-home pay and safety rather than shareholder gain but the relative importance is the same. On both fronts we can take pride in the fact that Mullen had an outstanding year. In 2000 we paid more than $167 million in salaries, wages, benefits and owner-operator settlements. This figure includes $9 million in employee profit share that was distributed to more than 1,000 employees. On the surface this appears to be extremely generous, but the fact is that our profit-share formula is aligned with the interests of our shareholders. Superior returns on invested capital are shared with those who help the Company generate the results. Given that 2000 was a record year for our shareholders, it follows that our employees should also enjoy a record year.

For Safety

Providing employees with a safe work environment accompanied by excellence in motor carrier safety is not just a saying at Mullen Transportation. Everyone must be committed to achieving our safety objectives, starting with the senior executive. This alignment has allowed the Company to achieve some of the highest safety ratings in the industry. Each of our wholly-owned subsidiaries is subject to comprehensive audits, both from the corporate office and from government and industry regulatory agencies. Last year many of our companies received the best ratings in their history; several attained ratings of 90 percent or higher. We can be proud of these accomplishments, as being committed to safety requires dedication, discipline and hard work. The results, however, are well worth the effort. Fewer employees get injured, less equipment is damaged or lost, and customers are much happier when their goods arrive undamaged.

PEOPLE COME FIRST!!

By putting people first we have established the foundation for a sustainable business model, one that provides rewards to both shareholders and employees. It is also the main reason why I believe that Mullen Transportation was recognized as one of Canada's best companies to work for

Financial Highlights

($millions except per share amounts)	2000	1999	% Change
Revenue	**$ 340.2**	$ 261.1	30.3%
Direct Operating Expenses	**$ 241.4**	$ 189.8	27.2%
Selling and Administrative Expenses	**$ 36.5**	$ 28.0	30.4%
Operating Income	**$ 62.3**	$ 43.3	43.9%
Net Income	**$ 30.8**	$ 15.8	94.9%
Net Income Per Share	**$ 2.24**	$ 1.18	89.8%
Funds from Operations	**$ 40.4**	$ 28.6	41.3%
Funds from Operations Per Share	**$ 2.94**	$ 2.15	36.7%

by the Report On Business Magazine and the consulting group, Hewitt Associates. The magazine and Hewitt conducted a survey of employers and employees from across Canada to determine which companies offered the best-in-class work environment. Mullen Transportation was voted #10 among the top 35 employers, an accomplishment that we are extremely proud of, particularly since the survey was based on the responses provided by our employees. I am delighted that the efforts the Company initiated and implemented are valued by our employees. It's a strong indicator of why we are successful as a business.

Operating a successful business has analogies to coaching a winning sports team. Take for example this year's Super Bowl Champions — the Baltimore Ravens. A post-game analysis revealed that the formula required to win championships is very similar to the one we utilize in our company. It starts with the team concept. How many times did we hear the coaches, the players and even the owner talk about the team? It goes without saying that good players are needed to win games, but to win championships, to be the best in your field, good players must commit to the overall good of the team. Under this type of alignment the team will ultimately achieve better results than those of gifted individuals who work only towards achieving their personal goals. This is the concept we employ at Mullen Transportation — all individuals are challenged to achieve their very best, working within the team environment. Our past successes have been achieved because of it, and our future successes depend upon our ability to remain committed to it.

But to win championships you must have more than the team concept. The second and equally important element of any championship team is the strategy developed by the coaches on how to win. In the case of the Ravens, the coaches developed a strategy based on the premise that Defense Wins Championships. Once again there are similarities contained within our Strategic Plan, the most obvious being that since accessing the public equity markets in 1993 we have maintained a very conservative balance sheet, choosing to keep our debt levels to a minimum. This is a defensive strategy, and one that has served our employees and our shareholders extremely well. With low debt we were, and are, positioned not only to survive cyclical downturns, but also to capitalize on mistakes and inefficiencies of the marketplace or our competitors, both representing growth opportunities for Mullen Transportation.

Business, however, is different from the sports arena in one fundamental area: in business we have no championship. Our success is measured not by trophies and rings, but by the returns our shareholders receive and the benefits our employees enjoy. By all standards, last year was a success for both groups. But last year is over, and regardless of how successful we were we must be equal to the task for the coming year. There will be significant challenges that must be planned for, and there will be challenges that arise without warning. On my office wall there is a saying that I often refer to — "We Cannot Predict The Winds But We Can Adjust Our Sails". When unforeseen challenges arise, that is what we will do.

Left: E-can utilizes specialized equipment to provide customers in the heavy crude oil industry with well bore servicing.

EXPECTATIONS FOR 2001

North America Needs Energy

Amid the growing pessimism concerning both the stock market and the overall economy, I am of the belief that Mullen Transportation is in a unique position. I am confident in saying this for several reasons, not the least of which is our leverage to the oil and gas service sector. From my perspective the outlook for energy related businesses has never looked brighter. There is ample evidence that the United States is on the brink of an energy crisis after years of economic expansion accompanied by the unsustainable belief that oil, natural gas and electrical power would always be readily available and cheap.

The precise effects of this potential crisis on the overall economy remain unclear, but there can be little doubt that additional power plants must be built to meet demand and that drilling for natural gas must be accelerated. For a company like Mullen Transportation, these trends represent growth markets offering significant business opportunity over an extended period. Forecasts of record oil and gas drilling in Western Canada during 2001 are already published. Further evidence can be found in the United States, where the number of drilling rigs searching for natural gas is at a level not seen since the 1970s.

Drilling Is Moving North

This imbalance between supply and demand will most likely mean that additional pipeline capacity must be added that will bring natural gas from the most northern parts of our continent to the gas-starved regions of California and the mid-west U.S. This forms the basis for the second reason for my optimistic view of our future. The Northern Frontier is an area where Mullen Transportation has developed strong business relationships. It is rich in natural resources, particularly natural gas. Billions of dollars are currently being committed to build the infrastructure, the pipelines and to begin drilling the wells that will be needed to tap this immense resource.

This program, which will require more than a decade of intense industry effort, will include a significant transportation component. Furthermore, Northern sites are much farther from the traditional supply hubs than the existing industry in the Western Canada Sedimentary Basin. In combination, these factors indicate that the challenge of drilling in the North is not in the finding of the hydrocarbons, but in managing the moving of goods and supplies required to build the roads, drill the wells, and to house and feed the work force. One must remember that the Northern Frontier is still undeveloped which creates a tremendous opportunity for Mullen Transportation. We already are the leading provider of transportation services to the oil and gas sector in Western Canada. We expect to expand our coverage northward by leveraging our very large asset base together with our customer contacts and northern business partners.

Left: A Mullen Tractor, normally used to haul loads between locations, has decked off the trailer and is pinned to the crown end of the derrick to allow movement forward and back while cranes lift the A-leg end of the derrick into the saddles on the substructure where it will be pinned.

Technology and The Supply Chain

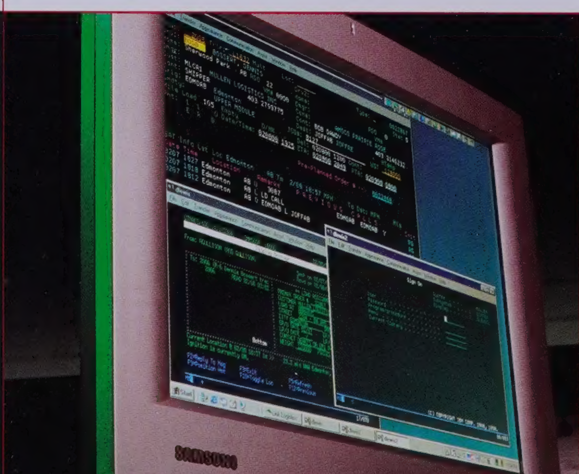
Mullen Transportation is one of the few "old economy" or "bricks and mortar" companies to endorse the e-economy, or B2B, revolution. The degree to which we have committed to the New Economy represents the third reason why I believe we are in a unique position relative to most public companies.

We still believe in the New Economy even though many players in the dot.com world have imploded. From my perspective, the demise of many of the tech start-up companies has more to do with the fact that they didn't have a good business plan. Many of them failed to understand that a viable business requires paying customers. In their zeal to be the next great success story they oversold themselves and under-delivered — a tried and true way to die in the business world. Even Michael Dell, President of Dell Computer, now acknowledges that technology will not help out a bad business. Mullen Transportation, however, is a good business, one with a large customer base and a proven track record of success. For us, e-commerce represents a genuine opportunity to improve our business and create greater value.

To fully understand where Mullen Transportation is going with our B2B initiatives, it is helpful to revisit how we arrived at our present position. The wise application of technology in our business is one of the cornerstones of our past success. We were an early adopter of applications built around fully integrated databases. In 1990 we invested heavily in satellite technology, which integrated the truck, our driver and our customers' inventory into our database, improving the information flow exponentially. The next technology that we envisioned could fundamentally change our business was the Internet. That was roughly three years ago.

In the beginning I didn't understand precisely how the Internet would change our business, but I knew enough about technology to realize that something significant might be happening. Three years later I have concluded that the impact of the Internet on our business will be even more far-reaching than I first anticipated. Initially, I envisioned using the Internet to solidify our existing business, continuing towards the goal of being a leading North American transportation provider. But now I believe that the Internet, accompanied by effective applications, has the power to change entire business models. Today we are building a new business around applications that can be delivered efficiently and effectively via the Internet. Our focus is the supply chain, a market of immense size and wonderful opportunity.

Over the past year I have further concluded that we will not be able to maximize the potential of this business opportunity directly within Mullen Transportation. As such, we plan to spin-out our B2B initiatives along with our Logistics business by way of a Plan of Arrangement, effectively leaving each Mullen Transportation shareholder two new shares — one in Mullen Transportation and one in a new company, which will be called Moveitonline Inc.™ The details of the Plan are contained in a Management Information Circular mailed to each registered shareholder.



Left: Mullen Transportation has embraced the e-economy.

Right: Mullen Transportation logistics systems integrate trucks, drivers, and customers' inventory.

Far Right: Cascade Carriers Ltd. operates one of the largest fleets of pneumatic dry bulk trailers in Canada.

This is clearly a significant event and one that has consumed a major portion of my time over the past three years. Now, however, it is time to spin out Moveitonline™ and let it develop without the constraints of a traditional bricks and mortar company. The future of the Company has been entrusted to Mr. Russ Wells, a seasoned senior executive with a solid technology background. Mr. Wells, while at Nova Gas Transmission Ltd., was instrumental in developing an on-line marketplace for the gas trading industry. This experience will prove invaluable as Mr. Wells guides Moveitonline™ to maturity.

After the Plan is approved at our Annual and Special Meeting in May, shareholders will receive stock in two great companies. Mullen Transportation will continue as a transportation company leveraged to the oil and gas sector, acquiring profitable well-managed trucking or oilfield service companies when opportunity knocks. Moveitonline™ will enter the fast-paced B2B space, focused on the delivery of effective applications to shippers and on the non-asset-based logistics business. This immense business opportunity, I believe, solidifies my earlier claim that Mullen Transportation is in a uniquely promising position.

Trucking Remains Difficult

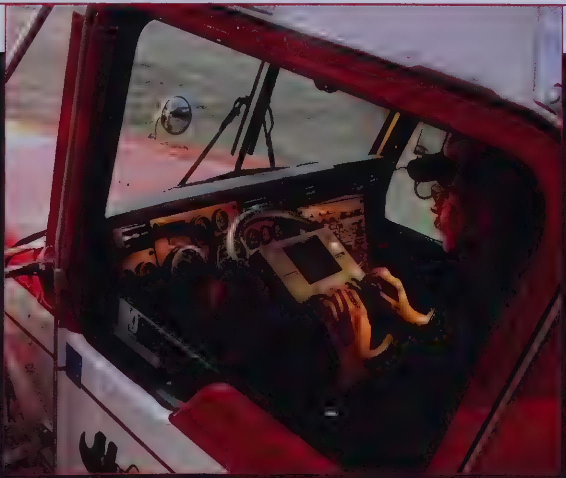
Our trucking business units performed exceptionally well given the challenges experienced in 2000 and our expectations are for another relatively flat year, in spite of the current economic challenges. The general trucking industry continues to be hampered by industry over-capacity and a slowing economy. From our perspective it would be unwise to expand our trucking business given the current market conditions. In fact, we prefer to take a wait-and-see attitude rather than aggressively pursue opportunities that look very cheap today but may become more attractive. The industry is in for a major shakedown and we would not be surprised if several high profile companies exit the industry in 2001. These difficult conditions always give rise to future opportunities. Mullen Transportation is in a great position to monitor the macro-economic picture and its effect on the trucking industry. Patience will be rewarded.

One Final Note

I would like to take this opportunity to thank our many shareholders for entrusting your investment dollars to our team. To our more than 2,000 employees and owner-operators, I say that you are great representatives of our Company and ambassadors of our industry. Thanks to all of you for helping to make 2000 Mullen Transportation's best year ever.

On behalf of your Board of Directors,

Murray K. Mullen
President and Chief Executive Officer
March 21, 2001



Northern Challenge

Growing North American demand for natural gas, improved pricing and willingness among northern governments to engage in resource development have triggered a rapid revival of interest in developing the natural gas resources of the Far North. Mullen, one of the first service providers to energy companies currently exploring in the Far North, has demonstrated an ability to forge important partnerships with First Nations and to use supply chain management efficiently. Today, Mullen is leveraging off its vast transport and logistics experience in the oilfield services arena to put the first equipment in the Far North, where there is little in the way of infrastructure.

Significant exploration in the 70s and 80s identified large-scale reserves in six supply basins in Canada's Northwest Territories and Yukon, including the Mackenzie Delta.

Proven reserves total 44 trillion cubic feet, with potential estimated at up to 165 trillion cubic feet, according to the Ziff Energy Group. There is also oil potential, with reserves estimated at 7 billion barrels, but for now, the focus is natural gas. On Alaska's North Slope, the oil producers wish to begin marketing the massive natural gas volumes currently being re-injected into producing crude oil reservoirs.

A number of senior producers have recently acquired large exploration blocks in the Mackenzie Delta and shallow-water Beaufort Sea, some have launched extensive seismic exploration programs, the first wells in almost 15 years are being drilled and one producers' group is studying the feasibility of commercial-scale production. Several industry groups are considering competing potential routes for a natural gas pipeline from northern British Columbia into the Far North. The cost is estimated at $3 billion to $6 billion for a pipeline tapping the Mackenzie Delta and $12 billion to $15 billion for a pipeline from the North Slope. Ziff estimates construction could be completed within 10 years; others are suggesting within 3 to 5 years. In the meantime development is proceeding on recent natural gas discoveries around Fort Liard in the southern Northwest Territories, an area that was tied-in to the Westcoast pipeline network in 2000.

Constructing a pipeline into the Far North and bringing northern natural gas production up to the minimum required 1-1.5 billion cubic feet per day will generate immense supply requirements — creating unprecedented opportunities for Mullen and its divisions. Yukon has an existing network of all-weather roads, and the Dempster Highway accesses Inuvik in the Mackenzie Delta. Other areas are serviced on winter-only permafrost or ice roads.

Mullen recently transported one drilling rig and associated equipment to the Mackenzie Delta. This required 88 trucks and generated over $2 million in revenue to Mullen. Drilling rigs will require trucks permanently on-site to provide fuel, water, drilling mud and other hauling. Mullen anticipates it will be supplying the transport needs of three drilling rigs expected to be operating in the Mackenzie Delta this year with a total of 18 rig-moving trucks and three tractors for cementing units. During full-scale development, Mullen estimates 15-20 drilling rigs plus an equal number of service rigs will be stationed for years in the Mackenzie Delta.

During pipeline construction, Mullen will compete for contracts with its Premay Pipeline Hauling subsidiary, which is an industry leader in the hauling and stringing of big-inch pipe. On top of that, the natural gas fields and pipeline will require extensive infrastructure, including processing plants and compressor stations. Mullen's multi-wheel carriers will compete to haul the large and super-sized components of the field and pipeline infrastructure.

Left: Tuktoyaktuk, NWT, located at the mouth of the Mackenzie River. Mullen anticipates it will be supplying the transport needs of three drilling rigs in the area.


Prudhoe Bay
MACKENZIE RIVER DELTA
Tuktoyaktuk
Inuvik
Fairbanks
ALASKA
NUNAVUT
Norman Wells
YUKON
NORTHWEST TERRITORIES
Valdez
Whitehorse
Fort Liard
Zama
BRITISH COLUMBIA
ALBERTA
Unocal Gas Storage
Edmonton
Existing Pipelines
NOVA (TCPL)
Westcoast
Enbridge - Norman Wells
TransAlaska (Oil)
Alliance
Shiha Transmission
Proposed Pipelines
Alaska Resource Co.
Foothills - Mackenzie
Foothills - Dempster
ANGTS

Oilfield Services Division

Operating Companies

E-Can Oilfield Services (131)*
A leading provider of oilfield services to the heavy oil industry in Western Canada. Provides specialized equipment and personnel to assist in the pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.

McGinnis Rat Hole Drilling Co. Ltd. (21)*
Sets conductor pipe, required on most well sites prior to the drilling rig being moved onto the lease location.

Mullen Trucking Inc. – Oilfield Services (118)*
FSJ L.A.N.D. Transport Ltd. (43)*
Services to upstream, (oil and gas exploration, drilling and well completions), oil and gas industry in Western Canada. Major activity is drilling rig relocation services.

Premay Equipment Ltd. (66)*
Transports oversize, overweight modules, vessels, equipm and machinery for the engineering, procurement construction, mining, and oil and gas industries.

Premay Pipeline Hauling Ltd. (20)*
Provides contract services to the mainline large diameter pipeline construction industry. Services include hauling, stockpiling and stringing of oil and gas transmission pipe.

Trucking Division

Operating Companies

Cascade Carriers Ltd. (161)*
Transports dry bulk goods, bulk propane, LPG anhydrous ammonia in Western Canada serving the construction, building and oil and gas industries.

Grimshaw Trucking Ltd. (104)*
Daily schedule, less-than-truckload service provided through a network of 23 terminal facilities in Alberta, British Columbia and the Northwest Territories.

Mill Creek Equipment Limited (195)*
Mill Creek Motor Freight Inc. (107)*
Provide truckload and less-than-truckload van freight services to customers throughout Canada, the continental United States and Mexico. Offers high level of service and just-in-time delivery.

Mullen Trucking Inc. – Truckload (200)*
Irregular route truckload and less-than-truckload general commodity freight in Canada and the United States.

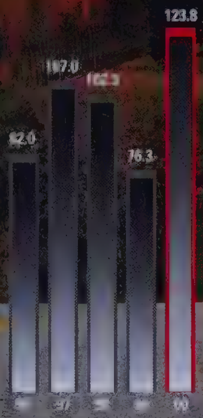
Logistics Division

Operating Company

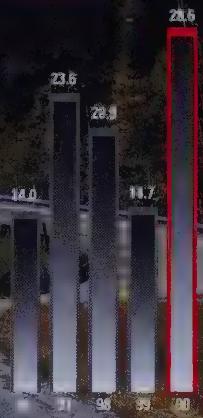
Mullen Logistics Inc.
Provides services related to managing the movement of goods throughout the supply chain and includes the transportation of material and goods, and managing inventories for customers. By working under alliance agreements with its main customers, the Company utilizes the diversified fleet of Mullen Transportation Inc. and several other certified sub-contractors to satisfy the logistics and freight transportation requirements of these customers.

(Growth charts for the Logistics Division are not meaningful because Logistics has only been operatin since November 1999.) In 2000 the Logistics Division generated revenues of $37.4 million and EBITDA of $5.1 million.

* Number of power units.



Oilfield Services Division Revenue ($millions)

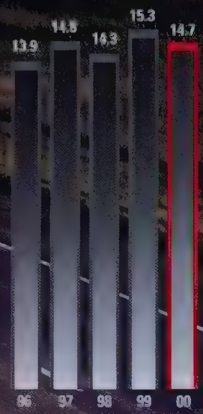


Oilfield Services Division EBITDA ($millions)

Oilfield Services Division EBITDA as a % of Revenue

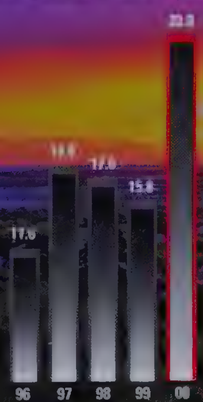
Trucking Division Revenue ($millions)

Trucking Division EBITDA ($millions)

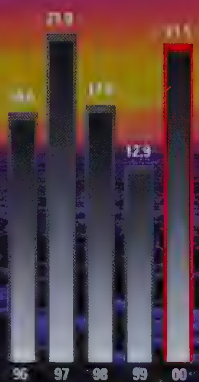


Trucking Division EBITDA as a % of Revenue

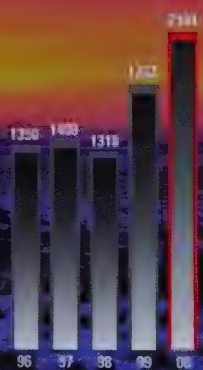
Corporate Growth



Net Income ($millions)



Return on Equity (%)



Number of Employees and Owner-Operators

Oilfield Services Division

Much of Mullen Transportation's success is attributable to the oil and gas sector in Western Canada. We have focused on this cyclical industry, consistently growing our market share through acquisition and organic expansion, to the point where Mullen is now recognized as the largest provider of specialized transportation services to the sector. In this section we will provide some of the background material that is relevant to our investment decisions and the reasons for our optimistic outlook for continued growth.

U.S. Needs Canadian Energy

World energy consumption has grown almost linearly since 1940, paralleling world economic activity. Today energy is an integral component in nearly everything we do, providing the fuel for vehicles, the heating/cooling systems for homes and the power that keeps the lights on. Even the technology sector now understands that a secure and reliable energy source is critical to its growth. It follows, therefore, that economic expansion will depend on an increased supply of energy.

The world now consumes over 180 million barrels of oil equivalent of energy each day, with the United States accounting for nearly one-third of the consumption (Chart #1). The primary source of energy continues to be petroleum, which is derived from crude oil; however, natural gas is fast becoming the preferred choice due to its more environmentally friendly and cleaner burning characteristics. Although both of these commodities are found in the United States, that country is increasingly dependent upon foreign supplies after nearly ten years of uninterrupted economic expansion.

Crude oil imports represent a significant portion of U.S. daily consumption. On the natural gas side, there is growing evidence that the United States is now dependent upon Canadian supplies. In fact U.S. gas production has steadily declined over the years and currently averages approximately 51 billion cubic feet per day, primarily because existing producing fields have matured and are now experiencing accelerating decline rates. For example, wells drilled in the 1960s and 1970s had average decline rates of approximately 10 percent per year. Today, most new wells are declining at an annual rate of 30 percent. At the same time demand has steadily increased. Chart #2 indicates that gas consumption in the United States has grown from 45 billion cubic feet per day in 1986 to approximately 60 billion cubic feet in 2000, suggesting that about 10 billion cubic feet of gas per day must be imported to balance supply and demand. And this may be widening. The United States must build additional electrical power plants to keep pace with demand. These plants are typically gas-fired which will increase the daily consumption of natural gas. In California, where the electricity problems are well documented, it is estimated that an additional 40,000 megawatts of electrical power — the equivalent of four billion cubic feet per day — must be added over the near term. Canada may be able to meet this incremental new demand, but not from existing sources, which suggests that new gas must be found through exploration and development.

Looking Ahead in 2001

Mullen's Oilfield Services Division anticipates a record year based upon the following:

- **The demand for natural gas in North America is at the highest levels ever recorded. As a result, total drilling activity in Western Canada is estimated to reach nearly 19,000 wells.**
- **High oil prices support continued development and expansion of Alberta's oil sands. Major capital projects include Shell Muskeg River, Syncrude and Suncor Millennium.**
- **Current and projected economics continue to favour the development of Western Canada's heavy oil deposits. Our acquisition of E-Can Oilfield Services in August 2000 provides Mullen Transportation with significant leverage to this segment of the industry.**

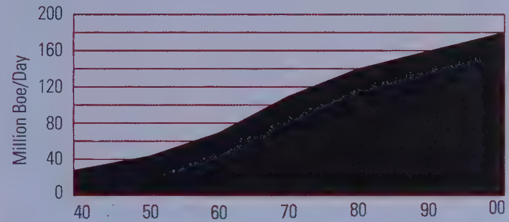
Western Canada is Canada's Energy Capital

Western Canada has an abundance of natural resources and is close to the largest economy in the world — both important factors when considering the opportunities for Mullen Transportation. From our base in Alberta we are in an excellent position to service an industry that we believe will continue to expand. Our diverse operations allow our shareholders to participate in a wide variety of oilfield related activities, ranging from the capital intensive build-out of the plants, refineries and infrastructure required to deliver the petroleum and related products, to the transporting of drilling rigs and equipment to the oil or gas well site.

Current indications point to a very active year for the oil and gas sector of the economy. Drilling activity in Western Canada, a major indicator of our future business activity, is expected to reach record levels in 2001, primarily due to favourable prices for both commodities. In fact, the oil and gas industry is now in the unique position of receiving high prices for crude oil and record prices for natural gas. This unprecedented combination is generating record cash flows and net income for the petroleum sector. In Canada alone, industry revenues are expected to hit $60 billion, with cash flow of $30 billion, representing increases in excess of 200 percent from 1999.

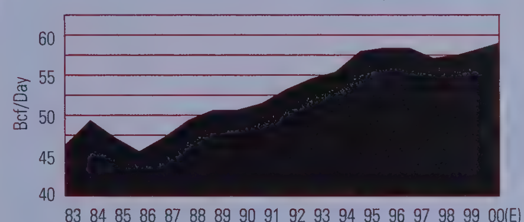
At these levels, specialized transportation services will be in high demand, providing Mullen Transportation companies with the attractive combination of strong pricing leverage and high equipment utilization rates.

(1) Growth in World Energy Consumption



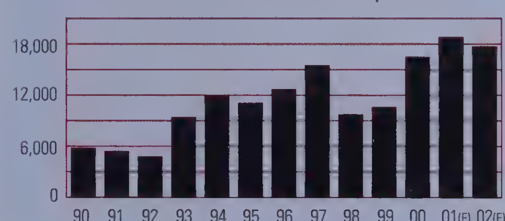
Source: Simmons & Company International

(2) U.S. Natural Gas Consumption



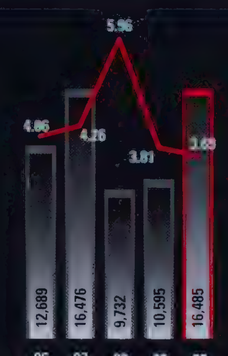
Source: Raymond James and U.S. Department of Energy

(3) Western Canada Well Completions

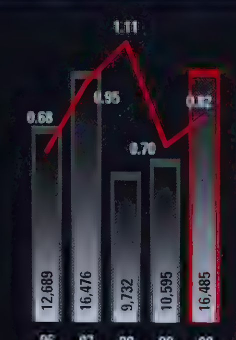


Source: Daily Oil Bulletin, NBF Estimates

EBITDA as a % of Revenue
Selected Public Oilfield Services Companies
Mullen



(Upstream) Rig Moving Revenue Per 1,000 Wells Completed
Wells Completed
Revenue ($millions)



(Upstream) Rig Moving EBITDA Per 1,000 Wells Completed
Wells Completed
EBITDA ($millions)

Trucking Division

Industry Consolidation Beckons

The trucking industry is in the midst of a significant realignment, precipitated by a series of events. The purpose of this review is to provide our shareholders with an analysis of these factors, along with our view of the challenges and opportunities.

The current situation appears to be very similar to the 1980s when the industry was ill-prepared to meet the challenges of deregulation of the trucking industry and a slowing economy. Companies without a good business model, and with excessive debt and an unwillingness to change became casualties of the changing environment. At the same time, some companies emerged to become the new industry leaders.

Today, we believe the industry faces a similar situation, and perhaps with identical results. The market is extremely competitive, the industry is more leveraged than ever — brought on by undisciplined industry growth and readily available capital — and the economic outlook is mixed at best. These are ominous signs pointing directly at another industry shakeout.

But the trucking industry is extremely resilient and survivors will be able to capitalize on the fact that trucking has become North America's preferred mode of transporting goods by virtue of such advantages as timing, price, service, volume, coverage and security. In essence, trucks have become "warehouses on wheels", in response to the just-in-time-delivery practice that has slashed inventory costs for businesses across the continent. Today, new technologies such as satellite communications and e-commerce are further improving tracking ability, fleet management and overall efficiencies. Carriers like Mullen, that adopted these business tools, have a significant advantage over the vast majority of trucking companies. These companies will emerge as tomorrow's winners.

What Led to the Current Environment?

The industry has experienced an annual growth rate of three percent over the past decade, paralleling the growth in Gross National Product throughout North America. As demand grew, trucking companies flourished, adding equipment at unprecedented rates. Today, however, we have a slowing economy, excess industry capacity, rising costs and too much debt.

The best indicator of industry capacity, both current and future, is the build rate of heavy duty trucks (Chart #2). Evidence indicates that the industry grew far too fast over the past few years. In 1999, a record 300,000 heavy duty trucks were built in North America, followed by the second best year in 2000 when manufacturers turned out another 240,000 trucks. This unprecedented growth in truck capacity was fueled by the booming economy and easy credit, which allowed under-capitalized truck owners and companies to expand their fleet size. Along with record levels of accumulated debt, truckers also faced increased costs for drivers' wages, insurance and fuel. And fuel costs, which represent approximately 20 percent of the industry's total operating costs, didn't just rise. They soared by roughly 70 percent over the past 18 months. (Chart #1)

Looking Ahead in 2001

While the economics and state of the North American trucking industry look rather unappealing, we remain confident that our business units will have another solid, though not spectacular year. Our optimism is based upon:

- **The majority of our existing business is leveraged to Western Canadian economy which continues to grow primarily due to the strong resource sector.**
- **The U.S. economy is not expected to enter a deep or prolonged recession. Consequently, the demand for freight transportation services will increase when existing inventories are cleared out and economic growth restarts.**
- **Supply is shrinking. Credit is tight, the new truck build rate is near a 10 year low, and carriers are going out of business. This suggests there should be plenty of freight available for the remaining carriers.**
- **Mullen Transportation's trucking businesses are very competitive and have a strong market position.**

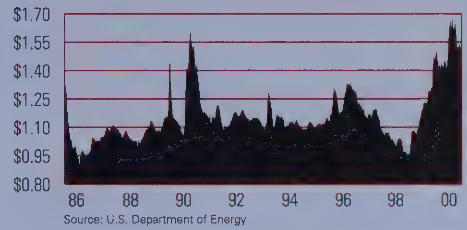
What's Next?

The combination of high fuel costs and excessive debt has already impacted the industry. Truck sales have plummeted beginning in June 2000. Bankruptcies are soaring with over 1,320 failures registered in the third quarter of 2000 alone. And that's just in the United States. The accompanying graph, "Trucking Failures and Average Diesel Price", indicates that there is a direct correlation between the two. From our perspective the failure rate is not just a function of higher fuel costs, but an indication that many trucking companies are not prepared to handle large spikes in variable costs. They simply do not have the pricing power to pass on the increases to their customers.

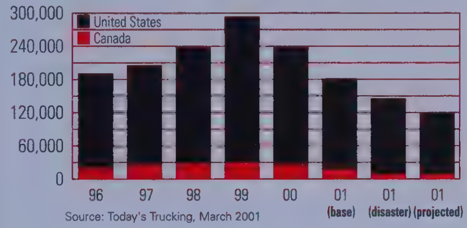
On the demand side we are cautious about the possibility of any sustained economic expansion in 2001. Instead, we believe the economy could experience problems similar to those of the trucking industry. Chart #4, "Change in Oil Prices and Recessions," indicates that the last three significant recessions were preceded by rapid spikes in crude oil prices. Although we do not predict a recession, history suggests that one should be very careful, particularly considering the fact that today we have high oil prices, record high natural gas prices and rising energy costs in many parts of North America.

All of these factors suggest that an industry shakeout may be near. At Mullen Transportation we are watching these events very closely. We are a company that is debt-free and has strong earnings and access to capital markets, a healthy combination throughout the business cycle.

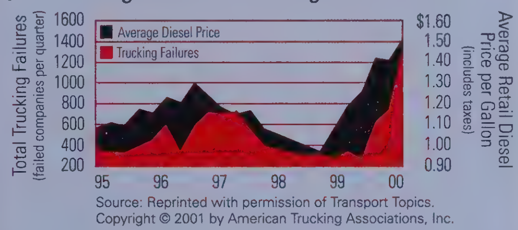
(1) Retail Diesel Fuel Prices (Weekly Data)



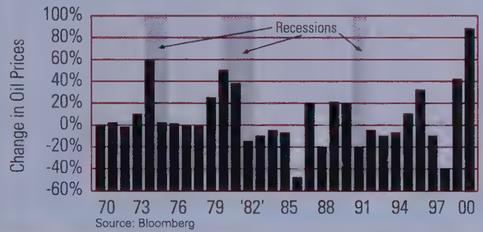
(2) Class 8 Truck Sales



(3) Trucking Failures vs Average Diesel Price



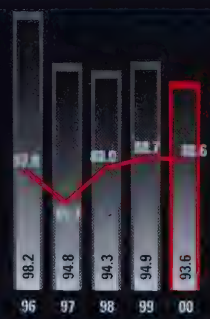
(4) Change in Oil Prices & Recessions



Operating ratio is defined as cost before interest and taxes as a percent of revenue

Operating Ratio – Trucking Division vs Canadian Large Carriers
Source: Stats Canada

Industry (large carriers)
Mullen Trucking Division



Operating Ratio – Trucking Division vs. Selected U.S Carriers
Source: Freight Carriers Association of Canada

Industry (selected carriers)
Mullen Trucking Division

Logistics Division

In 1999 Mullen Transportation established a new business venture designed to penetrate the fastest-growing segment within the supply chain — third-party logistics (3PL). Industry growth is being driven by the need for companies to reduce costs and improve the information flow between collaborating parties within the supply chain. By outsourcing non-core functions, like logistics, to independent logistics providers, companies can improve their competitive positions by focusing on their own core competencies. This trend is likely to continue into the foreseeable future as companies continue to look for new ways to optimize the flow of their inventory within the supply chain.

What is Logistics?

The best definition we could find defines logistics as the management of all of the processes within the supply chain, starting with the creation of an order, and continuing through manufacturing to inventory and finally to fulfillment. Logistics is about managing the information that is created as the order flows through the chain. The key word is information because the physical moving of the goods is still handled by a transportation provider. Logistics is not typically considered a core competency for most companies. Consequently, corporations are outsourcing logistics to 3PLs to handle the movement of freight, information and funds. 3PLs that can best provide their customers with a critical information flow allows those customers to make better, more timely and accurate decisions affecting their inventory or their customers. 3PLs differ from traditional service providers in that they have no rolling stock and can concentrate on providing clients with information and knowledge about methods and strategies aimed at minimizing costs associated with the management of goods.

The Supply Chain and the Internet

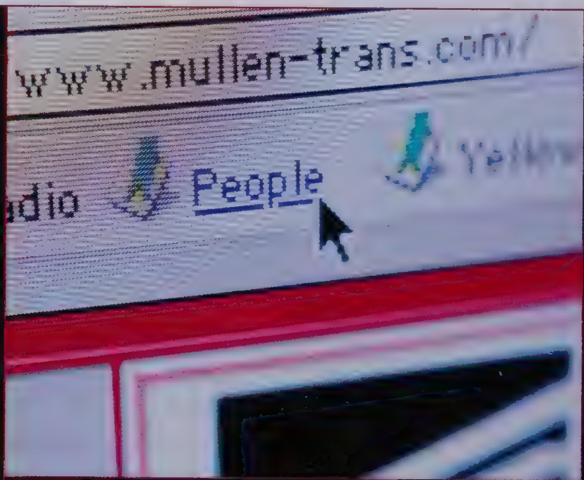
The supply chain is immense in size. North American companies spend almost $1 trillion per year to manage the movement of goods through the system, a figure that includes costs for transportation, warehousing, inventory handling and administration (Chart #1). Supply chain management represents a tremendous growth opportunity to logistics companies that can offer innovative and effective solutions incorporating integrated data connectivity and total visibility to those that need to collaborate. We believe that the Internet, accompanied by new web-based applications, provides a new platform for logistic companies to provide cost-effective solutions to supply chain participants. Why the Internet? Because it has revolutionalized communication by making the exchange of data and information easy and affordable. Everyone can be linked into the same database through the Internet. Schedules can be adjusted to real-time. These are just a few of the examples of how the Internet will reshape the supply chain.

Companies that outsource their logistics will find they have lower costs, increased product delivery and availability, stronger customer service and improved overall performance in the marketplace. Demand for outsourced logistics will increase with factors such as vendor base consolidation — particularly by major shippers, globalization which is changing distribution channels, and market shifts that are changing where products are actually produced. Studies show that companies with best-in-class supply chain processes spend substantially less than their peers. (Chart #2)

Quick Facts

2000 was the first full year of operation for the Logistics Division. Business units included in this division are Moveitonline Inc.™, an e-business enabler designing new web-based applications and Mullen Logistics Inc., a 3PL. Significant highlights from 2000 include:

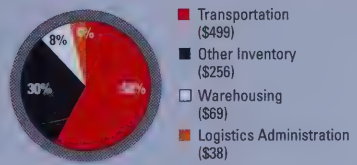
- **BP Amoco Joffre plant – 800 loads**
- **Suncor Millennium – over 20,000 loads**



Mullen Shareholders to Vote on Spin-Out

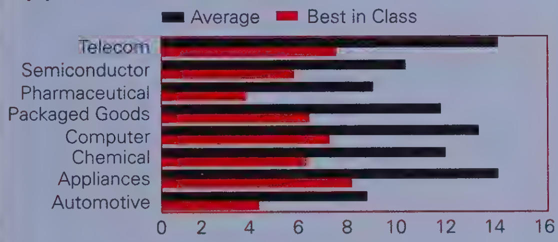
Management believes that the Logistics Division will have a better opportunity to capitalize on potential growth in the B2B e-commerce industry and in the third-party logistics market as an independent company rather than as a wholly-owned subsidiary of Mullen Transportation. Shippers and carriers will be confident that Mullen Logistics is an independent company with no bias or preference to Mullen Transportation subsidiaries.This is best achieved by separating the e-business initiatives and logistics business into a public company, to be known as Moveitonline Inc.™ Upon approval by the shareholders at this year's Annual and Special Meeting, each Mullen Transportation shareholder will receive two shares: one in the asset-based business, Mullen Transportation Inc., and one in Moveitonline Inc.™ Each company will have its own elected directors and officers providing shareholders and new investors with the option of owning shares in the company and industry sector of their choice. Details are provided in the Notice of Annual and Special Meeting of Shareholders and the Management Information Circular for an Annual Meeting of Shareholders and an Arrangement under the Business Corporations Act (Alberta) dated April 20, 2001.

(1) Components of Domestic Supply Chain Costs ($ billions)



Total $862 Billion
Source: Cass Information Systems

(2) Percentage of Company Revenue Spent on Supply Chain Activities



Source: Pittiglio Rabin Todd & McGrath

U.S. B2B E-Commerce Market Projections 1998-2003

Source: Forrester Research

Managing the transportation supply chain from your desktop

Key Transportation Moves

- 1 Inuvik Rig
- 2 Mildred Lake Mining Trucks
- 3 Eastern Canada/U.S. Computer Parts

1 Satellites, partnerships and patience key to Inuvik delivery

While the Far North regions of North America contain some of the most prolific natural gas fields on the continent, these resources are located in areas where there is little developed infrastructure and access is difficult. This creates a tremendous challenge for the oil and gas companies wishing to drill for natural gas.

Mullen Trucking Inc. – Oilfield Services, and Inuvialuit Northern Logistics (INL), a business partner of Mullen, commanded the first move into the Far North in two decades, transporting Akita Rig #60 that was specially designed for the harsh winter conditions in the north. Petro-Canada, one of Canada's major oil and gas producers and one of the largest holders of drilling rights in the Mackenzie Delta region of northern Canada, was the first producer to identify a drilling program. The preparations commenced in the early part of 2000 to drill an exploration well during the winter drilling season of 2000–2001. Petro-Canada recruited Mullen to help plan the logistics requirements for this significant venture. Not your ordinary rig move, the endeavour involved the transportation of over 100 loads of rig and camp from Edmonton to the well site north of Inuvik in the Northwest Territories, a 3,400-kilometre journey on highways and Mackenzie River barges, and over ice-roads specially built to handle the large loads.

The job began in June 2000 when Mullen was awarded the contract to move the camp facilities that would house the work crews working near the well site. Twenty-six loads were loaded and hauled via truck to Hay River in the NWT where they were off-loaded and re-loaded onto a barge owned by the Northern Transportation Company Limited (NTCL). The barge arrived at Petro-Canada's staging area in Swimming Point, NWT in early September where the camp was stored until winter when ice-roads could be built over the rivers.

In October, Mullen was awarded the contract to move the rig from Edmonton, Alberta. This proved to be one of the most logistically demanding projects ever undertaken by the Oilfield Services Division. Because timing was so critical, loading of the rig began in early December, even before Akita Drilling Ltd. had completed construction. The first 12 loads were transported via the Alaska and Dempster highways to James River in the NWT. However, the loads could not be delivered at that time because the ice crossings were not sufficiently frozen for truck travel.

On December 27, Mullen crews completed the load-out of the remaining 68 rig loads using a combination of company-owned equipment and subcontractors. These included Inuvialuit carriers, which hauled approximately 25 percent of the loads. The project was managed on a real-time basis with Mullen's state-of-the-art satellite communication system, which allowed Mullen to provide Petro-Canada and Akita Drilling Ltd. with daily status reports. Additional reports were also provided on project costs, temperatures, ice thickness and weight allowances through an interactive web site hosted by INL, a partnership between Mullen, the Inuvialuit Development Corporation and NTCL.

Petro-Canada's lease was 150 kilometres north of Inuvik and linked only by ice-roads over the vast river network. Mullen, in conjunction with its northern partners, INL, E. Gruben's Transport (Gruben's) and Allen Services, compiled a 10-year history of the regional weather patterns to ensure the loads could be delivered as soon as feasible. But the project was hampered by unseasonably warm weather, which limited the amount of ice build-up on the roads. Experts at Gruben's reviewed the status continuously and suggested a plan that would allow for safe travel — a plan based upon lighter loads along with speed limits for the trucks, one-way traffic and load intervals of two hours. On January 15 the first loads were transported over the ice under the supervision of Gruben's which constantly measured the ice thickness and monitored ice cracks. On January 25 Mullen, along with the Inuvialuit crews, began rigging up the large Akita rig. On January 31, Petro-Canada and Akita Drilling Ltd. spudded the first exploratory well in the Mackenzie Delta in over two decades.

The entire project was one of the largest and most logistically challenging ever undertaken by Mullen. It was completed safely and without injury to any individual because of the efforts of the entire team — Mullen Trucking, Gruben's, and INL — despite the long distances, extreme weather conditions and challenges associated with navigating the ice-roads.

Managing the transportation supply chain from your desktop

Key Transportation Moves

1 Inuvik Rig
2 Mildred Lake Mining Trucks
3 Eastern Canada/U.S. Computer Parts

2 Mining Trucks for Mildred Lake

Finning Canada relies on Mullen Trucking Inc. — Truckload to orchestrate the movement of large equipment. One shipment in year 2000 involved moving a 2000 ton 797 Cat Mining Truck from various points in the United States to Mildred Lake in northern Alberta. The transportation process to move the 48-foot long by 30-foot wide by 24-foot high mining truck was one year in the design, breakdown and planning stages. The truck was shipped in 12 loads from Decatur, Illinois, Davenport, Indiana, and Laredo, Texas to its final destination for reassembly. The mining truck's chassis, the largest single load at 153,000 pounds, was shipped on a 13-axle truck/multi-trailer combination. The 105,000 pound truck body was cut into four pieces for transport, then welded together at Mildred Lake.

Mullen personnel worked closely with Caterpillar engineers, regulatory authorities and the trailer manufacturer. Although the 12 trucks crossed four different border points over a two-week period, Mullen's customs specialist had the whole shipment appear as one move on Canada Customs' computer.

Mullen's dial-in logistics system and Internet-based Web'N Transit provided daily updates to Finning.

On the Mullen team were 12 drivers, two customer service representatives, one load planner, one customs specialist, one permit specialist, two dispatchers and two escort vehicle supervisors.

3 Secure Moves in Eastern Canada

The strategic partnership of Mill Creek Motor Freight and Rockwell Automation, a global manufacturer and marketer of complete automation solutions, systems and components, is a prime example of how companies outsource their logistics. Mill Creek, a subsidiary of Mullen Transportation's Trucking Division, serves as Rockwell's traffic department, involved in the consolidation, staging, sequencing, storage and delivery of raw materials used in the manufacture of finished products.

Each evening, two dedicated Mill Creek drivers depart Cambridge, Ontario to deliver motor control parts, panels and components to Rockwell's sister plants in Wisconsin. The drivers pick up products from these plants as well as shipments from a consolidator set up by Mill Creek to collect all third-party pick-ups. The trucks continue to the Rockwell Distribution facility in Illinois and return to the Cambridge plant the following morning. Four to six Mill Creek trucks are available on an as-needed basis for pick-up and delivery. Each week, Rockwell ships 1.4 million pounds of product valued at about $9 million. Mill Creek's customer service people and dispatchers contact end-users to arrange delivery and special handling requirements.

The partnership allowed Rockwell to reduce its own staff by 2.5 people. A handling video is used to coach Mill Creek staff and inter-liners on damage-free cross-docking and delivery.

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OILFIELD SERVICES SEGMENT

Operating Companies

E-Can Oilfield Services (as of August 31, 2000)
FSJ L.A.N.D. Transport Ltd.
McGinnis Rat Hole Drilling Co. Ltd.
Mullen Trucking Inc. – Oilfield Services
Premay Equipment Ltd.
Premay Pipeline Hauling Ltd.

Revenue

Revenue in the Oilfield Services segment increased by 62.3 percent, from $76.3 million in 1999 to $123.8 million in 2000. The increase was attributable to a number of factors, including price increases, volume increases and new business associated with the August 31, 2000 acquisition of E-Can Oilfield Services. Rig moving revenue increased by 50.9 percent in 2000, reflecting both a 55.6 percent increase in well completions over 1999 and price increases. Premay Equipment's revenues rose by 35.2 percent during the year, influenced by the large number of capital projects underway. The acquisition of E-Can added a new revenue source to the Oilfield Services segment, as E-Can primarily services the heavy oil industry in eastern Alberta. Revenues in McGinnis Rat Hole Drilling Co. Ltd. and Premay Pipeline Hauling Ltd. also improved over 1999.

Operating Expenses

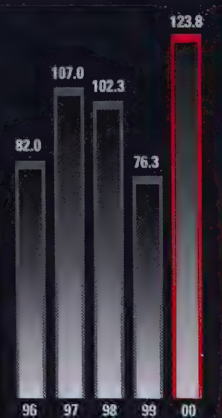
Operating expenses — comprised of direct operating expenses and selling and administrative expenses — increased by 54.6 percent to $95.2 million in 2000 from $61.6 million in 1999. This was less than the revenue increase on a percentage basis as improved margins were generated through both price increases and equipment utilization due to higher demand for services.

Direct Operating Expenses

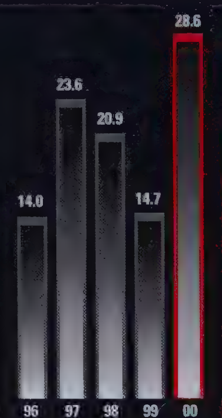
Direct operating expenses declined to 66.4 percent of revenue in 2000 from 69.8 percent in 1999. Price increases and improved equipment utilization, which resulted in a better use of manpower, combined to help reduce wages as a percentage of revenue. Repairs and maintenance also declined as a percentage of revenue, primarily due to the effect of price increases.

Selling and Administrative Expenses

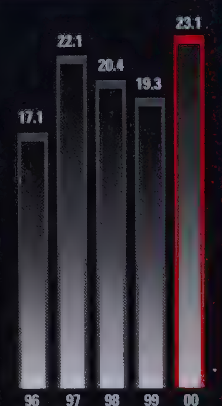
Selling and administrative expenses amounted to 10.5 percent of revenue, compared to 11.0 percent in 1999. In dollar terms, these expenses amounted to $13.0 million in 2000, compared to $8.4 million in 1999, implying that the segment has substantially increased fixed administrative expenses. Of the $4.6 million increase, $3.0 million was due to the increase in the employee profit share. The employee profit share is a variable expense, dependent upon the return on invested capital. Excluding the employee profit share increase, administrative expenses increased by $1.6 million, or 3.4 percent of the $47.5 million year-over-year increase in revenue. E-Can added $0.7 million of the $1.6 million and the balance was due to increased expenses associated with increased business volumes.



Oilfield Services Segment Revenue ($millions)



Oilfield Services Segment EBITDA ($millions)



Oilfield Services Segment EBITDA as a % of Revenue

Operating Income (EBITDA)

As a result of higher revenue and improved operating margins, operating income increased to $28.6 million in 2000 from $14.7 million in 1999, and the operating margin improved to 23.1 percent of revenue in 2000 from 19.3 percent in 1999.

Capital Expenditures

Net capital expenditures increased to $7.1 million in 2000 from $4.5 million in 1999, primarily as a result of the replacement of trucks and trailers and purchase of an additional coil tubing unit in E-Can, as well as to marginally increased capacity. This segment traditionally is capital intensive with highly specialized equipment which results in a higher level of capital expenditures than the Trucking segment. Net capital expenditures have exceeded depreciation, ($5.4 million in 2000, $4.4 million in 1999), in the last two years due to expansion into the North and to the need to add capacity in E-Can to meet customer demands.

TRUCKING SEGMENT

Operating Companies

Cascade Carriers Ltd.
Grimshaw Trucking Ltd.
Mill Creek Equipment Limited
Mill Creek Motor Freight Inc.
Mullen Trucking Inc. – Truckload

Revenue

Revenue in the Trucking Segment increased by 7.7 percent to $199.6 million in 2000 from $185.4 million in 1999 for several reasons. There was higher demand for both dry bulk freight and less-than-truckload service in Western Canada and increased movement of industrial freight in Mullen Trucking Inc., due to the strong growth in oilfield-related freight in Alberta. Mill Creek had a very minor decrease in revenue as the slowdown of the U.S. economy caused a decline in the demand for freight services.

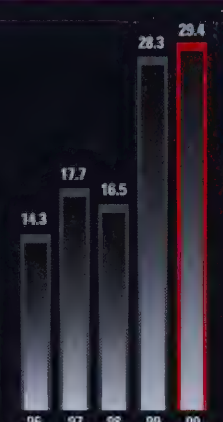
Operating Expenses

Operating expenses consist of direct operating expenses, and selling and administrative expenses. Operating expenses increased by 8.3 percent to $170.2 million or 85.3 percent of revenue in 2000, compared to $157.1 million or 84.7 percent of revenue in 1999.

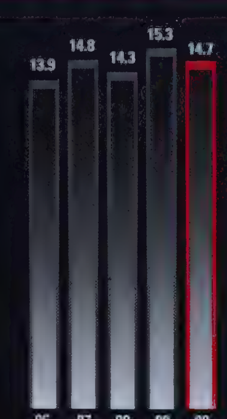
Direct Operating Expenses

Direct operating expenses increased slightly to 74.7 percent of revenue in 2000 from 74.3 percent of revenue in 1999. Although most of the companies had improved margins, Mill Creek had higher costs on company-owned and operated

Trucking Segment Revenue ($millions)



Trucking Segment EBITDA ($millions)



Trucking Segment EBITDA as a % of Revenue

vehicles due to higher driver wages and repairs as a percent of revenue, which offset those improvements. Increased fuel costs were not a significant issue as the Company was able to mitigate the negative effects of higher fuel costs by passing the increased costs onto customers with a fuel surcharge.

Selling and Administrative Expenses

Selling and administrative expenses increased by $1.7 million to 10.5 percent of revenue in 2000 from 10.4 percent of revenue in 1999. Most of the increase was due to a $1.3 million increase in profit share, which is a variable cost based on the return on invested capital. The other selling and administrative expenses increased by $0.4 million, or 2.9 percent of the $14.1 million increase in revenue.

Operating Income (EBITDA)

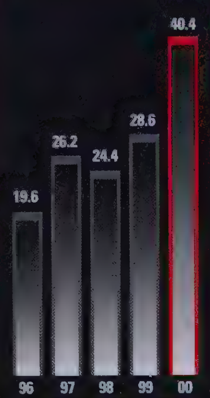
Operating income increased by 3.9 percent to $29.4 million in 2000 from $28.3 million in 1999. As a percentage of revenue, operating income decreased marginally to 14.7 percent in 2000 from 15.3 percent in 1999. The Company was successful at minimizing the decline in margins caused by the higher driver wages and fuel costs with a combination of productivity improvements and recovery of higher fuel costs by way of a fuel surcharge to customers.

Capital Expenditures

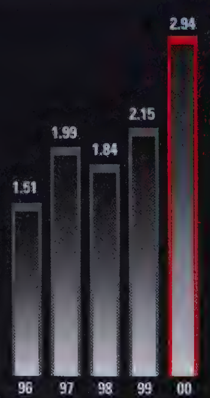
This segment continues to rationalize its operations and to increase its use of owner-operators and subcontractors, creating a low capital expenditure requirement. Accordingly, net capital expenditures were only $0.8 million, versus $3.1 million in 1999. The low rate of capital expenditures also results in lower depreciation costs and higher EBIT, which is the basis for profit share.

LOGISTICS SEGMENT (Mullen Logistics Inc.)

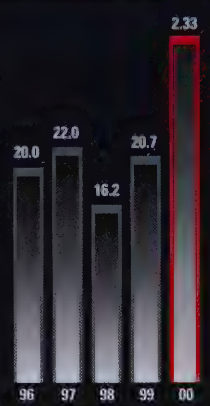
The Logistics Segment started in November 1999, preventing meaningful year-over-year comparison. Revenue of $37.4 million in 2000 exceeded expectations and demonstrated the growth potential of this business model. Due to the nature of its business, Logistics has a limited number of customers and revenue from one customer accounted for 62 percent of sales for the year. The majority of expenses are for subcontractors hired to transport loads. In 2000, these expenses were $30.7 million or 82.1 percent of revenue. The selling and administrative expenses, including profit share, were $1.7 million or 4.5 percent of revenue, which is substantially lower than the consolidated companies' administrative expenses which are 10.7 percent of revenue. The operating margin of 13.5 percent of revenue is lower than the margin in the Trucking and Oilfield Services segments, but the capital investment requirement is minimal, reducing the capital at risk. The operating margin would have been higher, but the Company settled a contractual dispute with a major customer resulting in a $1.0 million reduction on revenue and operating income.



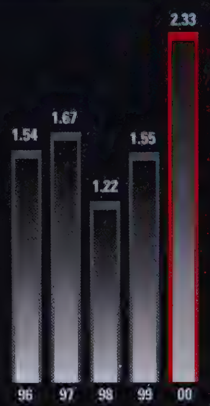
Funds from Operations ($millions)



Funds from Operations ($ per share)



Discretionary Funds from Operations ($millions)



Discretionary Funds from Operations ($ per share)

CAPITAL AND LIQUIDITY

Funds from Operations

Funds provided from operations increased by 41.2 percent to $40.4 million in 2000 from $28.6 million in 1999. This equated to $2.94 per share in 2000, a 36.7 percent increase from $2.15 per share in 1999. Of the total, $15.6 million was used primarily to finance the $7.1 million increase in non-cash working capital items, excluding the dividend, and for the $8.7 million of negative non-cash working capital included in the E-Can acquisition, as per note 3(a) of the consolidated financial statements.

Accounts receivable increased by $24.5 million over 1999 due to the inclusion of E-Can, higher receivables associated with greater fourth quarter revenue, and the delay of payment on a major contract, pending contract renegotiations which were subsequently resolved. Accounts payable increased by $10.4 million over 1999 due to the inclusion of E-Can and higher payables associated with higher revenue in the fourth quarter. The remaining $24.9 million of funds were used to pay for various financing and investing activities, as per the consolidated cash flow statement, which caused cash to decrease by $6.7 million for the year to $1.1 million in 2000 from $7.8 million in 1999.

Discretionary funds, or funds from operations after net capital expenditures, increased to $32.1 million or $2.33 per share from $20.7 million or $1.55 per share in 1999. These funds are available for expansion or to return to the shareholders.

Working capital declined to $32.7 in 2000 from $35.2 million in 1999 as funds generated were used to acquire long-term assets, primarily E-Can.

Long-term Debt

Long-term debt decreased from $6.2 million in 1999 to $4.3 million in 2000. During the year Mullen Transportation assumed $2.5 million of debt to finance the E-Can acquisition, repaid $4.4 million (after exchange adjustment) and ended the year with $4.3 million of long-term debt. The debt to equity ratio declined to .03:1 from .05:1 in 1999.

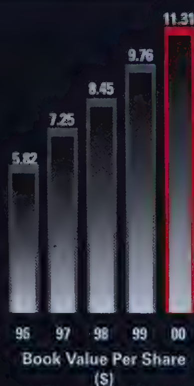
Capital Expenditures

During the year the Company's capital expenditures totalled $12.3 million. The Company sold $3.9 million of fixed assets for net capital expenditures of $8.4 million, of which $6.1 million was for trucks and trailers or other operating equipment, and $1.2 million was for computer communication technology.

Net capital expenditures have been less than depreciation over the last five years, even as Mullen has continued to increase its volume of business and revenues. This is primarily due to the Company's strategy of outsourcing services in areas where it can, including the increased use of owner-operators and subcontractors.

Equity

Share capital increased by 344,600 shares and $8.2 million in 2000, due to the exercise of 258,200 stock options at an average price of $11.64 for $3.0 million, the repurchase and cancellation of 163,600 shares at an average price of $19.05, with an original issue value of $0.5 million, and the issuance of 250,000 shares, valued at $5.7 million, to partially fund the E-Can acquisition.



Retained earnings increased from $91.3 million in 1999 to $108.1 million in 2000, reflecting retention of $30.8 million of net income generated in 2000, partially offset by several factors. There was a decrease of $5.9 million due to a January 2, 2000 adjustment for future income taxes, which was made in order to comply with the new accounting standard utilizing the liability method of accounting for future income taxes (see note 2(a) of the consolidated financial statements). Retained earnings were also reduced by the amount of dividends paid during the year ($2.7 million) and the amount of dividends declared and payable at December 31, 2000 ($2.8 million). The third item was the impact of the repurchase of common shares. Of the $3.1 million spent on share repurchases, $2.6 million was in excess of the book value per share at the repurchase date, which resulted in a change to retained earnings.

Return on equity improved to 21.1 percent in 2000 from 12.9 percent in 1999, even though Mullen has low debt leveraging and in fact reduced its level of long-term debt during 2000. This made it even more challenging to achieve this level of return on equity. Book value per share increased to $11.31 at December 31, 2000, up from $9.76 at December 31, 1999.

Acquisitions

During the year the Company acquired a 45 percent interest in Payne Transportation Inc., a start-up, long haul transportation company based in Winnipeg, Manitoba and also lent operating funds to Payne to finance its growth. Mullen recorded $42,000 of earnings from this investment for its first six months of operations.

The Company also made a significant investment in purchasing E-Can Oilfield Services on August 31, 2000. The details of the purchase are outlined in Note 3(a) of the consolidated financial statements. E-Can, which is included in Mullen's Oilfield Services segment, services the heavy oil industry in northeastern Alberta. The purchase marks a significant addition to the Company's Oilfield Services segment and as a new type of service, creates new market opportunities. To date, the acquisition has exceeded Mullen's expectations and 2001 appears to be very encouraging.

BUSINESS RISKS

Business risks remain similar to the prior year. The Company is subject to risks created by a downturn in the economy, or a slowdown in oil and gas exploration and production activity. The Company manages these risks by maintaining a strong balance sheet, a low fixed-cost structure, and by having a diversity of operations.

Mullen has some exposure to foreign exchange risk, primarily in the form of a stronger Canadian dollar, as the Company generates surplus U.S. dollars. Mullen structures its operations to minimize this risk.

Although interest rate fluctuations are a risk to most companies, Mullen's low debt and financial position make this risk immaterial to the Company's balance sheet. Rising interest rates have a negative effect on the economy, creating a general business risk.

Labour Disputes – The Company is at risk to labour disruption. Business units that have negotiated labour contracts generally have good relationships with their employees.

Claims – The transportation business is vulnerable to legal actions for cargo claims and accidents. This risk is offset by maintaining substantial insurance coverage with low deductibles. The Company's high safety standards, rigid recruiting standards and strong maintenance programs help to minimize claims and accidents.

OUTLOOK

Mullen Transportation is optimistic about both the short-term and long-term outlook. In the short-term, the Company expects oil and gas drilling to continue at high rates, which bodes well for the Oilfield Services segment. Although the economy appears to be slowing, which negatively affects the Mill Creek operations, the strong Alberta economy and the anticipated expansion of northern Canada's resource development will promote demand for trucking services. Mullen's strong financial position and increased levels of funds from operations will ensure that the Company can continue to expand and to provide strong returns to shareholders.

Over the next few years, proposed federal and provincial income tax reductions will help to increase the Company's return on equity, to increase earnings per share, and to leave more cash in the Company due to less income tax cost. For example, in 2000 Mullen's tax rate was approximately 45 percent, incurring expected taxes of approximately $22.9 million. The corporate income tax rate is expected to decline over the next four years to approximately 30 percent, reducing tax payable on the same level of net income to $15.3 million. If the new rates had taken effect in 2000, Mullen would have saved $7.6 million, increasing earnings per share by $0.55. As a profitable, well financed company, Mullen's future looks very promising.

Management's Report to the Shareholders

The accompanying consolidated financial statements of Mullen Transportation Inc. have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with these financial statements. All information, including financial, in the annual report is the responsibility of management.

Management maintains accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.

The Board of Directors and management have established corporate governance practices that are consistent with guidelines set out in the report issued by The Toronto Stock Exchange Committee on Corporate Governance in Canada.

The Board of Directors oversees the management of the business and the affairs for the Company including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, comprised of three members considered to be "outside" and "unrelated" directors, has reviewed the financial statements with management and the external auditors. An independent firm of chartered accounts, appointed as external auditors by the shareholders, has audited the consolidated financial statements and its report is included herein.

MURRAY K. MULLEN

President and
Chief Executive Officer

DAVID E. OLSON

Vice-President, Finance and
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Mullen Transportation Inc. as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
February 14, 2001

Consolidated Balance Sheets

Years ended December 31, 2000 and 1999
(Amounts stated in thousands of dollars)

	2000	1999
Assets		
Current assets:		
Cash	**$ 1,112**	$ 7,763
Accounts receivable	**69,379**	44,819
Income taxes recoverable	**–**	373
Prepaid expenses	**6,029**	5,560
	76,520	58,515
Other assets	**7,107**	2,747
Fixed assets (note 4)	**111,615**	93,288
Goodwill	**33,757**	22,252
	$ 228,999	$ 176,802
Liabilities and Shareholders' Equity		
Current liabilities:		
Dividends payable	**$ 2,802**	$ –
Accounts payable and accrued liabilities	**31,733**	21,317
Income taxes payable	**7,097**	–
Current portion of long-term debt (note 6)	**2,163**	2,038
	43,795	23,355
Long-term debt (note 6)	**2,111**	4,173
Future income taxes (note 7)	**24,558**	–
Deferred income taxes	**–**	15,887
Shareholders' equity:		
Share capital (note 8)	**50,580**	42,372
Retained earnings	**108,055**	91,325
Currency translation adjustment	**(100)**	(310)
	158,535	133,387
	$ 228,999	$ 176,802

Approved by the Directors:

Director

Director

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended December 31, 2000 and 1999
(Amounts stated in thousands of dollars, except per share amounts)

	2000	1999
Revenue	$ 340,247	$ 261,111
Expenses:		
Direct operating	241,367	189,828
Selling and administrative	36,544	27,967
Operating income before the following:	62,336	43,316
Depreciation	11,399	11,504
Interest on long-term debt	460	858
Other interest	47	67
Gain on sale of fixed assets	(508)	(730)
	11,398	11,699
Income before income taxes, earnings from equity investment and amortization of goodwill	50,938	31,617
Provision for income taxes (note 7):		
Current	21,381	13,818
Future	(2,571)	–
Deferred	–	881
	18,810	14,699
Income before earnings from equity investment and amortization of goodwill	32,128	16,918
Earnings from equity investment	42	–
Net income before amortization of goodwill	32,170	16,918
Amortization of goodwill (note 1(d))	1,399	1,152
Net income	$ 30,771	$ 15,766
Earnings per share before amortization of goodwill	$ 2.34	$ 1.27
Diluted earnings per share before amortization of goodwill	$ 2.28	$ 1.21
Earnings per share (note 8(d))	$ 2.24	$ 1.18
Diluted earnings per share (note 8(d))	$ 2.18	$ 1.13

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2000 and 1999
(Amounts stated in thousands of dollars)

	2000	1999
Retained earnings, beginning of year	**$ 91,325**	$ 76,567
Adjustment on adoption of liability method of accounting for income taxes (note 2(a))	**(5,891)**	–
Net income	**30,771**	15,766
Dividends	**(5,541)**	–
Repurchase of common shares	**(2,609)**	(1,008)
Retained earnings, end of year	**$ 108,055**	$ 91,325

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

Years ended December 31, 2000 and 1999
(Amounts stated in thousands of dollars)

	2000	1999
Cash provided by (used in):		
Operations:		
Net income	**$ 30,771**	$ 15,766
Items not involving cash:		
Depreciation and amortization	**12,798**	12,656
Gain on sale of fixed assets	**(508)**	(730)
Future income taxes	**(2,571)**	–
Deferred income taxes	**–**	881
Earnings from equity investment	**(42)**	–
Funds provided from operations	**40,448**	28,573
Changes in non-cash working capital items	**(15,570)**	(8,317)
	24,878	20,256
Financing activities:		
Repayment of long-term debt	**(4,535)**	(9,127)
Additions to long-term debt	**–**	2,077
Repurchase of common shares	**(3,116)**	(1,197)
Net proceeds of common share issues	**3,006**	813
Dividends paid	**(2,739)**	–
Redemption of preferred shares	**–**	(6,354)
	(7,384)	(13,788)
Investing activities:		
Fixed asset additions	**(12,296)**	(13,565)
Acquisition (note 3)	**(11,436)**	–
Proceeds on sale of fixed assets	**3,905**	5,649
Other assets	**(4,318)**	(664)
	(24,145)	(8,580)
Decrease in cash	**(6,651)**	(2,112)
Cash, beginning of year	**7,763**	9,875
Cash, end of year	**$ 1,112**	$ 7,763
Supplemental cash flow information:		
Interest paid	**$ 507**	$ 925
Income taxes paid	**$ 14,284**	$ 14,191

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Mullen Transportation Inc. (the "Company") and subsidiaries, all of which are wholly-owned.

(b) Investments:

Investments in affiliates over which the Company has significant influence are accounted for using the equity method.

Other investments are carried at cost. If management determines there is a permanent decline in value, these investments will be written down to net realizable value.

(c) Fixed assets and depreciation:

Fixed assets are recorded at cost. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is provided annually over the estimated useful lives of the assets on the diminishing balance basis at the following rates:

Buildings	2.5 – 8%
Trucks and trailers	10 – 20%
Equipment, furniture and fixtures	20%
Automobiles, computer equipment and computer software	30 – 50%
Satellite communications equipment	20%

Specialized tracked vehicles are depreciated on an hourly usage basis.

(d) Goodwill:

Goodwill represents amounts paid on the acquisition of businesses in excess of the value assigned to identifiable net assets acquired and is amortized on a straight-line basis over twenty years from the acquisition date. The value of goodwill is periodically evaluated throughout the year by management and where there is considered to be an impairment in the estimated net recoverable amount of the goodwill, based upon expected undiscounted cash flows, the goodwill is written down to its estimated value. Accumulated amortization at December 31, 2000 amounts to $2,716,000 (1999 – $1,317,000).

(e) Income taxes:

The Company follows the asset and liability method whereby income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying items of income and expense are expected to be realized.

(f) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in Note 8(c). No compensation expense is recognized for this plan when stock or stock options are issued to employees. Consideration paid by employees on exercise of stock options is credited to share capital.

(g) Foreign currency:

The Company's United States subsidiary is considered self-sustaining and is translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at year-end exchange rates and items included in the statements of operations are translated at weighted average rates. The resulting translation gains and losses are deferred as a separate component of shareholders' equity until there is a realized reduction in the net investment.

(h) Comparative information:

Certain comparative financial information has been reclassified to conform to the financial statement presentation adopted in 2000.

2. Change in accounting policy:

(a) Future income taxes:

Effective January 1, 2000, the Company adopted the liability method of accounting for future income taxes. Previously, income tax expense was determined using the deferral method. The Company has adopted the new income tax accounting standard retroactively, without restating the financial statements of any prior periods. As a result, the Company has recorded a decrease to retained earnings of $5,891,000 and an increase to the future tax liability, formerly the deferred tax liability, of $5,891,000 as at January 1, 2000.

(b) Earnings per share:

Effective for 2000, the Company adopted the treasury stock method for calculation of diluted earnings per share under which deemed proceeds of the exercise of options are considered to be used to re-acquire common shares at an average share price. Previously, additional earnings were imputed based on the proceeds resulting from the exercise of options. The Company has adopted this calculation retroactively with restatement of the prior year. As a result, the diluted calculation has been increased by $0.07 (1999 – $0.02) per share to produce a diluted calculation under the new standard of $2.18 (1999 – $1.13) per share.

(Tabular amounts stated in thousands of dollars)

3. Acquisitions:

(a) On August 31, 2000, the Company acquired all issued and outstanding shares of a private oilfield services company for $22,270,000 comprised of cash consideration of $16,561,000 and common share consideration of $5,709,000. Additional contingent consideration of $1,000,000 has not been included in the acquisition cost, as the payment of the contingent amount is based on a certain financial earnings target for the period August 1, 2000 to July 31, 2001, and cannot be concluded beyond a reasonable doubt at December 31, 2000. At the time the target is met the purchase cost will be adjusted. This acquisition has been accounted for by the purchase method, and results of operations have been included in these financial statements from the date of acquisition.

Assets:	
Non-cash working capital items	$ (8,733)
Fixed assets	20,495
Goodwill	12,904
	$ 24,666
Assumed liabilities:	
Long-term debt	$ 2,453
Future income taxes	5,068
	$ 7,521
Net assets before cash position	$ 17,145
Cash position	5,125
	$ 22,270
Consideration:	
Cash	$ 16,561
Common shares	5,709
	$ 22,270

(Tabular amounts stated in thousands of dollars)

(b) On August 1, 1998 the Company acquired 40 percent of the issued and outstanding shares of a privately held trucking company, for cash consideration of $13,046,000. In 1998, the acquisition was accounted for by the equity method, with the excess of the purchase price paid over the underlying net book value of assets acquired of $8,842,000 being allocated to goodwill. The Company included in its 1998 net income, $770,000 of earnings from this equity investment, net of amortization of goodwill of $184,000.

On January 1, 1999, the Company acquired the remaining 60 percent of the issued and outstanding shares of the privately held trucking company referred to above, for additional consideration of $20,038,000, resulting in a total acquisition cost of $33,084,000. The acquisition has been recorded by the purchase method and results of operations have been included in these financial statements from the date of acquisition.

Assets:	
Non-cash working capital items	$ 5,263
Fixed assets	24,254
Goodwill	21,015
	$ 50,532
Assumed liabilities:	
Long-term debt	13,304
Deferred income taxes	3,321
	$ 16,625
Net assets before cash position	33,907
Cash position	(53)
	33,854
Equity in earnings of affiliate	(770)
	$ 33,084
Consideration:	
Cash consideration	$ 25,924
Redeemable convertible Series D preferred shares	7,160
	$ 33,084

The redeemable convertible Series D preferred shares were non-voting, non-participating and were converted to common shares on a one-for-one basis during 1999.

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

4. Fixed assets:

December 31, 2000	Cost	Accumulated depreciation	Net book value
Land	**$ 6,006**	**$ –**	**$ 6,006**
Buildings	**18,837**	**3,599**	**15,238**
Trucks and trailers	**123,338**	**41,294**	**82,044**
Equipment, furniture and fixtures	**7,721**	**4,369**	**3,352**
Automobiles, computer equipment and computer software	**8,956**	**5,314**	**3,642**
Satellite communications equipment	**3,768**	**2,435**	**1,333**
	$ 168,626	**$ 57,011**	**$ 111,615**

December 31, 1999	Cost	Accumulated depreciation	Net book value
Land	$ 6,163	$ –	$ 6,163
Buildings	16,382	3,139	13,243
Trucks and trailers	103,050	35,872	67,178
Equipment, furniture and fixtures	6,107	3,780	2,327
Automobiles, computer equipment and computer software	7,343	4,372	2,971
Satellite communications equipment	3,670	2,264	1,406
	$ 142,715	$ 49,427	$ 93,288

5. Bank indebtedness:

During the year, the Company acquired a $6 million credit facility with a Canadian chartered bank, which if utilized would bear interest at bank prime rate plus interest ranging from 0.75% to 1.25%.

The Company also has a $35.8 million credit facility with two banking institutions, which if utilized would bear interest at bank prime rate or at the bankers' acceptance rate plus prime acceptance stamping fee.

All facilities are payable on demand, and are secured by limited guarantees from the Company's subsidiaries supported by general security agreements on accounts receivable except for certain subsidiaries, which are supported by general security agreements on assets.

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

6. Long-term debt:

	2000	1999
Various loans with rates varying between 7.5% and 8.62% with monthly blended principal and interest payments not exceeding $93,850, maturing at various dates up to December 2004	$ 2,911	$ 6,211
Various loans with rates of bank prime rate plus 1.25% with monthly blended principal and interest payments not exceeding $44,605, maturing at various dates up to December 2004	1,363	–
	4,274	6,211
Less: current portion	2,163	2,038
	$ 2,111	$ 4,173

These loans are secured by certain operating equipment and general security agreements and assignment of accounts receivable relating to certain subsidiaries.

Aggregate principal repayments of long-term debt are as follows:

2001	$ 2,163
2002	1,513
2003	421
2004	177
	$ 4,274

7. Income taxes:

As described in Note 2(a), the Company changed its method of accounting for income taxes at January 1, 2000.

The future income tax liability of $24,558,000 results from the difference between the carrying value of fixed assets and their related tax value, at year end substantively enacted tax rates.

The provision for income taxes differs from the amounts which would be obtained by applying the expected Canadian income tax rates as follows:

	2000	1999
Income tax rate	45%	45%
Computed expected tax expense	$ 22,922	$ 14,228
Non-deductible depreciation and disposals	–	379
Reduction of future tax balances due to substantively enacted tax rate reductions	(3,850)	–
Other	(262)	92
Provision for income taxes	$ 18,810	$ 14,699

The Federal Government of Canada introduced tax rate reductions to be implemented over the next four years in its February 28 and October 18, 2000 budgets. The effect of the combined 7% tax rate reduction on the Company's future tax balances has been reflected as a reduction of future tax expense in 2000.

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

8. Share capital

(a) Authorized:

Unlimited number of common shares with no par value
Unlimited number of preferred shares with no par value

(b) Issued:

	Common shares	Consideration
December 31, 1998	13,147,555	$ 34,588
Stock options exercised	88,175	813
Repurchase of common shares	(69,100)	(189)
Preferred shares converted	500,000	7,160
December 31, 1999	13,666,630	42,372
Stock options exercised	258,200	3,006
Repurchase of common shares	(163,600)	(507)
Issued as part of acquisition	250,000	5,709
December 31, 2000	14,011,230	$ 50,580

(c) Stock-based compensation plan:

As at December 31, 2000 there are stock options outstanding to purchase 1,116,850 (1999 – 1,245,050) common shares at prices ranging from $7.00 to $24.00 per share with expiry dates ranging from February 28, 2004 to January 3, 2010.

Under the Employee Stock Option Plan, the Company may grant options to its employees for up to 1,905,924 shares of common stock which have been reserved for this purpose. As at December 31, 2000, 1,860,499 options have been granted. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options are granted throughout the year and vest over periods ranging up to five years under the Plan.

A summary of the status of the Company's stock option plan as of December 31, 2000 and 1999, and changes during the years ending on those dates is presented below:

	2000		1999	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding, beginning of year	1,245,050	$ 14.30	806,225	$ 11.47
Granted	194,000	20.59	697,500	17.60
Exercised	(258,200)	(11.64)	(88,175)	(9.22)
Cancelled	(64,000)	(16.70)	(170,500)	(17.02)
Outstanding, end of year	1,116,850	$ 15.87	1,245,050	$ 14.30
Exercisable, end of year	589,463	$ 14.23	552,959	$ 11.96

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

8. Share capital (continued):

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercisable price
$ 7.00 to 9.50	261,350	4	$ 7.99	226,350	$ 7.75
15.00 to 17.25	298,000	7	15.93	98,505	15.87
18.55 to 24.00	557,500	8	19.54	264,608	19.17
$7.00 to 24.00	1,116,850	7	$ 15.87	589,463	$ 14.23

(d) Basic and diluted earnings per share:

2000	Income	Shares	Per share amount
Basic earnings per share			
Income available to common shareholders	$ 30,771	13,740,876	$ 2.24
Diluted earnings per share			
Dilutive effect of stock option conversions		399,185	
Income available to common shareholders and assumed conversion	$ 30,771	14,140,061	$ 2.18

1999	Income	Shares	Per share amount
Basic earnings per share			
Income available to common shareholders	$ 15,766	13,310,487	$ 1.18
Diluted earnings per share			
Dilutive effect of stock option and convertible preferred share conversions		699,218	
Income available to common shareholders and assumed conversion	$ 15,766	14,009,705	$ 1.13

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

9. Commitments:

The Company is committed to payments under operating leases for equipment and buildings through 2005. Annual minimum payments required subsequent to 2000 are as follows:

2001	$ 5,523
2002	2,840
2003	864
2004	277
2005	59
	$ 9,563

10. Financial Instruments:

Fair values

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. The fair value of long-term debt and other assets included in the consolidated balance sheet do not materially differ from their carrying values.

Credit risk

The Company hauls a wide variety of freight for a broad customer base which spans numerous industries. Longer term contracts are with large, well established customers. Accounts receivable from one customer at December 31, 2000 amounts to approximately 14% of total accounts receivable. The Company believes that there is no significant risk with the collection of this balance.

Foreign exchange rate fluctuation

The Company is exposed to foreign currency fluctuation in relation to its United States subsidiary and activity in foreign jurisdictions. Management believes this exposure is not material to its overall operations.

11. Segmented Information:

The Company conducts its business through wholly-owned subsidiaries which are categorized into three business segments. The Oilfield services segment primarily provides transportation services to the oil and gas industry which includes exploration and development companies and production and gas transmission companies. The Trucking segment provides both long haul and local transportation services to customers in various industries. The Logistics segment provides freight management services to customers in various industries.

2000 Segment	Revenue	Operating income	Identifiable assets	Capital expenditures
Oilfield services	$ 123,815	$ 28,574	$ 105,719	$ 7,355
Trucking	199,552	29,448	92,730	4,489
Logistics	37,391	5,057	15,443	207
Other	(3,426)	(743)	15,107	245
Intersegment eliminations:				
Oilfield services	(8,363)	–	–	–
Trucking	(8,722)	–	–	–
	$ 340,247	$ 62,336	$ 228,999	$ 12,296

Years ended December 31, 2000 and 1999
(Tabular amounts stated in thousands of dollars)

11. Segmented Information (continued):

1999 Segment	Revenue	Operating income	Identifiable assets	Capital expenditures
Oilfield services	$ 76,276	$ 14,646	$ 62,708	$ 5,234
Trucking	185,417	28,298	95,860	7,926
Logistics	1,449	116	1,639	19
Other (includes inter-segment eliminations)	(2,031)	256	16,595	386
	$ 261,111	$ 43,316	$ 176,802	$ 13,565

Amounts between different segments are not eliminated in reporting revenue and operating income by business segment but are eliminated in reporting total consolidated revenue and operating income.

Seven Year Selected Financial Data

Years ended December 31
($ thousands, unaudited)

	2000	1999	1998	1997	1996	1995	1994
REVENUE	**$ 340,247**	$ 261,111	$ 216,980	$ 228,522	$ 183,317	$ 134,609	$ 112,747
EXPENSES							
Direct operating expense	**241,367**	189,828	154,106	160,726	134,049	98,743	80,644
Selling and administrative expenses	**36,544**	27,967	24,659	25,611	19,726	14,439	11,117
OPERATING INCOME BEFORE UNDER NOTED ITEMS	**62,336**	43,316	38,215	42,185	29,542	21,427	20,966
Depreciation	**11,399**	11,504	7,077	6,559	6,249	5,259	3,037
Interest on long-term debt	**460**	858	203	552	906	955	692
Other interest	**47**	67	–	125	109	150	105
Gain on sale of fixed assets	**(508)**	(730)	(345)	(365)	(15)	(292)	(472)
	11,398	11,699	6,935	6,871	7,249	6,072	3,362
INCOME BEFORE INCOME TAXES, EARNINGS FROM EQUITY INVESTMENT AND AMORTIZATION OF GOODWILL	**50,938**	31,617	31,280	35,314	22,293	15,355	17,604
PROVISION FOR INCOME TAXES							
Current	**21,381**	13,818	13,570	15,277	8,932	5,946	7,070
Future	**(2,571)**	–	–	–	–	–	–
Deferred	**–**	881	753	1,249	1,776	1,297	754
	18,810	14,699	14,323	16,526	10,708	7,243	7,824
INCOME BEFORE EARNINGS FROM EQUITY INVESTMENT AND AMORTIZATION OF GOODWILL	**32,128**	16,918	16,957	18,788	11,585	8,112	9,780
EARNINGS FROM EQUITY INVESTMENT	**42**	–	770	–	–	–	–
NET INCOME BEFORE AMORTIZATION OF GOODWILL	**32,170**	16,918	17,727	18,788	11,585	8,112	9,780
AMORTIZATION OF GOODWILL	**1,399**	1,152	165	–	–	–	–
NET INCOME	**$ 30,771**	$ 15,766	17,562	18,788	11,585	8,112	9,780

Seven Year Selected Financial Data

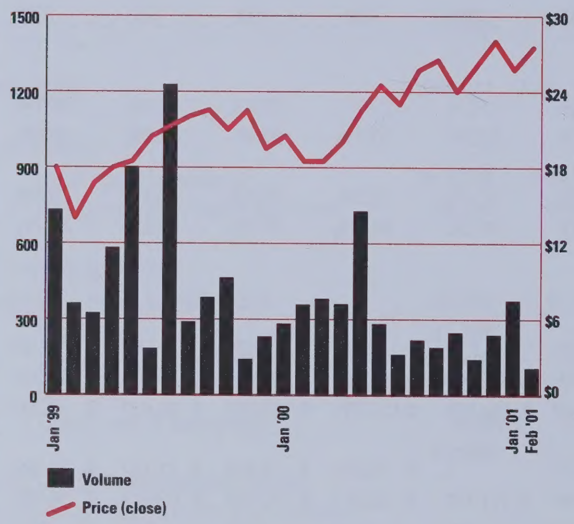
Years ended December 31
($ thousands, unaudited)

	2000	1999	1998	1997	1996	1995	1994
RATIOS – OPERATING							
Return on equity (1)	**21.1%**	12.9%	17.0%	21.9%	16.6%	19.1%	33.1%
Gross margin – percent of revenue (2)	**29.1%**	27.3%	29.0%	29.7%	26.9%	26.6%	28.5%
Selling and administrative expenses (percent of revenue)	**10.7%**	10.7%	11.4%	11.2%	10.7%	10.7%	9.8%
Operating ratio (3)	**85.3%**	88.0%	85.5%	84.3%	87.3%	87.8%	83.7%
FINANCIAL POSITION							
Acid test ratio	**1.61**	2.25	1.72	2.66	2.24	2.66	1.22
Net fixed assets	**$ 111,615**	$ 93,288	$ 72,569	$ 64,163	$ 63,470	$ 52,074	$ 42,207
Total assets	**$ 228,999**	$ 176,802	$ 144,987	$ 137,331	$ 114,021	$ 92,637	$ 73,394
Long-term debt (including current portion)	**$ 4,274**	$ 6,211	–	$ 5,291	$ 9,439	$ 11,142	$ 10,089
Shareholders' equity	**$ 158,534**	$ 133,387	$ 111,155	$ 95,917	$ 75,897	$ 63,919	$ 38,085
Debt to equity (4)	**0.03**	0.05	0.00	0.06	0.12	0.17	0.32
Funds from operations (5)	**$ 40,448**	$ 28,573	$ 24,442	$ 26,231	$ 19,595	$ 14,376	$ 13,099
COMMON SHARE DATA (dollars)							
Funds from operations per share (6)	**$ 2.94**	$ 2.15	$ 1.84	$ 1.99	$ 1.51	$ 1.30	$ 1.24
Book value per share (7)	**$ 11.31**	$ 9.76	$ 8.45	$ 7.25	$ 5.82	$ 4.93	$ 3.45
Earnings per share (8)	**$ 2.24**	$ 1.18	$ 1.32	$ 1.43	$ 0.89	$ 0.73	$ 0.93
Price earnings ratio (9)	**12.5**	16.5	12.3	14.7	17.4	13.5	7.5
Weighted average of number of common shares outstanding	**13,740,876**	13,310,487	13,257,551	13,175,576	13,003,244	11,063,779	10,536,774

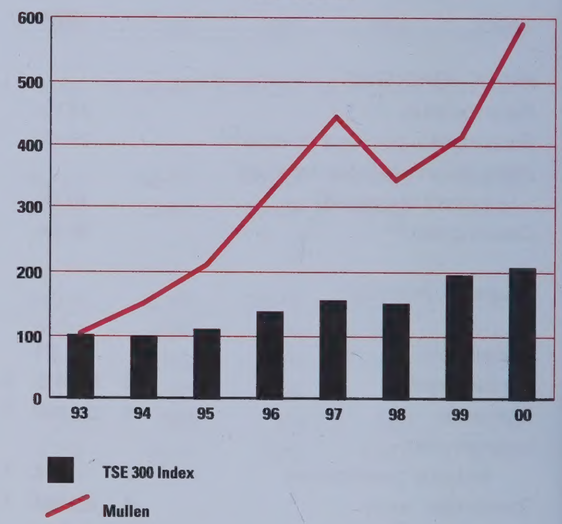
(1) Return on equity was calculated by dividing net income by average shareholders' equity
(2) Gross margin was calculated by dividing sales less direct operating costs by sales
(3) Operating ratio was calculated by dividing the total cost before taxes, and interest as a percentage of revenue
(4) Debt to equity was calculated by dividing total debt by shareholders' equity
(5) Funds from operations was calculated as funds from operations before the effect of changes in non cash working capital items
(6) Funds from operations per share is calculated by dividing funds from operations by weighted average number of shares outstanding
(7) Book value per share is calculated by dividing common shareholders' equity by the number of common shares outstanding
(8) Earnings per share was calculated by dividing net income by the weighted average number of shares outstanding
(9) Price earnings ratio was calculated by dividing year end closing price by earnings per share

Shareholder Information

Stock Trading Activity



Share Performance vs TSE 300*
$100 Invested



* Chart compares $100 invested on December 31, 1996 in common shares of Mullen Transportation and in the TSE 300.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company
600, 333 – 7 Avenue S.W.
Calgary, Alberta
T2P 4P4
Mailing Address:
P.O. Box 2517
Calgary, Alberta
T2P 2Z1
Telephone: (403) 232-2400

STOCK EXCHANGE

The Toronto Stock Exchange
Trading Symbol: MTL

ONLINE INFORMATION

This annual report can be viewed electronically at: www.mullen-trans.com

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of Shareholders of Mullen Transportation Inc. will be held on Monday, May 28th, 2001 at 3:00 p.m. in the Devonian Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

Corporate Information

DIRECTORS AND OFFICERS

Roland O. Mullen (2)
Chairman and Director

Murray K. Mullen
President, Chief Executive Officer and Director

Bruce W. Mullen
Senior Vice President and Director

David E. Mullen
Senior Vice President and Director

Francis M. Saville, Q.C. (2)
Director

K. Guy Nelson (1)
Director

Bruce W. Simpson (1)
Director

S. Patrick Shouldice (1) (2)
Director

Robert J. Baldwin
Vice President, Quality and Training and Corporate Secretary

David E. Olson
Vice President, Finance and Chief Financial Officer

(1) Member of the Audit Committee

(2) Member of the Compensation, Nomination and Corporate Governance Committee

HEAD OFFICE

Mullen Transportation Inc.
P.O. Box 87
#1 Maple Leaf Road
Aldersyde, Alberta T0L 0A0
Telephone: (403) 652-8888
Canada/US: 1-800-661-1469
Facsimile: (403) 652-2362
Internet: www.mullen-trans.com
Email: IR@mullentransportation.com

BANKER

The Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL

Carscallen Lockwood, LLP
Calgary, Alberta

AUDITORS

KPMG, LLP
Calgary, Alberta

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Mullen Transportation Inc.

Mullen Transportation Inc.
P.O. Box 87
#1 Maple Leaf Road
Aldersyde, Alberta T0L 0A0
Telephone: (403) 652-8888
Canada/US: 1-800-661-1469
Facsimile: (403) 652-2362
Internet: www.mullen-trans.com
Email: IR@mullentransportation.com